



Industry calls for balanced approach to Buy Now, Pay Later regulation

10 February 2023

The Australian Finance Industry Association (AFIA) today released its submission to Treasury's Options Paper: *Regulating Buy Now, Pay Later in Australia*.

AFIA welcomed the Government's recognition of the important role of BNPL in improving financial inclusion, increasing innovation and competition, and driving opportunities for retailers.

"As an industry, we embrace the Government's desire to see consistent, high standards mandated via the BNPL Code across the sector," said AFIA CEO Diane Tate.

"The BNPL Code is world-leading and strikes the right balance between innovation, competition and consumer welfare.

"AFIA is committed to strengthening the BNPL Code in good faith, based on sector experience, customer expectations and data-driven analysis. We will seek increased consumer protections which do not undermine efficiency or ease of use for BNPL customers."

The Options Paper provided an opportunity to undertake an evidence-based review of the developing sector and ensure any regulation is appropriately tailored to BNPL's unique context.

Ms Tate said to achieve better consumer outcomes, Australia must maintain a BNPL sector which allows different business models, met diverse customer expectations and addressed market inefficiencies.

"Our sector is continuing to develop and evolve," she said.

"The BNPL Code has been developed so it can flexibly evolve alongside this innovation. We don't want to see the Australian BNPL sector tied up in regulation that makes it unworkable for current players in this space and prevents new players from entering the market."

Most BNPL providers are still emerging companies and the evidence shows BNPL products are low value, low risk and as an instalment payment product do not warrant the same level of regulation as traditional financial products.

“As BNPL continues to grow and play a bigger role in our digital economy, we must ensure regulation protects consumers without reducing competition, choice, and innovation across the sector,” Ms Tate said.

“Furthermore, many of the obligations proposed in the Options Paper are already captured by the BNPL Code and are being implemented by signatories. These include internal and external dispute resolution, financial hardship assistance, compensation arrangements, fee caps and marketing rules.

“Overregulation, as is outlined by Option 3, would hamper the new and growing industry and may limit consumer choices as they decide between competing financial products.

“Minister Jones has previously said ‘BNPL products are unique, and any future regulatory framework needs to reflect that’. Therefore, we believe it is inappropriate to regulate BNPL products like any other financial product, without at a minimum offering the ‘tailored’ treatment suggested in Option 2.”

BNPL is an Australian innovation which contributes \$18.4 billion to Gross Domestic Product (GDP) and supports approximately 120,200 Australian jobs. More than 6.3 million Australians now use BNPL because it helps them budget, they don’t get charged interest and it is easy to use, digital technology.

It is attractive to consumers and is primarily used for low value purchases, averaging just \$136. It is low risk for consumers and retailers.

Overregulation will put at risk Australian jobs supported by the sector, and the economic benefits BNPL provides to retailers.

ABOUT AFIA

AFIA is the only peak body representing the entire finance industry in Australia.

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the

forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.

MEDIA CONTACT: DECLAN DRAKE 0477 119 991